



County of Los Angeles CHIEF EXECUTIVE OFFICE

Kenneth Hahn Hall of Administration
500 West Temple Street, Room 713, Los Angeles, California 90012
(213) 974-1101
<http://ceo.lacounty.gov>

WILLIAM T FUJIOKA
Chief Executive Officer

April 6, 2010

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To: Supervisor Gloria Molina, Chair
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From: William T Fujioka
Chief Executive Officer

SACRAMENTO UPDATE

This memorandum contains a pursuit of County position on legislation related to the Property Assessed Clean Energy (PACE) Program.

Pursuit of County Position on Legislation

SB 77 (Pavley), as amended on March 22, 2010, would require the California Alternative Energy and Advanced Transportation Financing Authority (Authority) to establish a PACE Reserve Program. The PACE Reserve Program is designed to assist local jurisdictions in financing the installation of distributed generation of renewable energy sources or energy or water efficiency improvements meeting specified requirements that are permanently affixed on real property through the use of a voluntary contractual assessment. The bill would establish a State financed reserve fund of up to 10 percent for the local PACE bonds on owner occupied properties meeting PACE criteria, and authorize the California Energy Commission to use future American Recovery and Reinvestment Act (ARRA) funds and/or similar Federal funding to support the PACE Program and reduce local program costs.

In addition, SB 77 would, until January 1, 2015, appropriate up to \$50 million from the Renewable Resource Trust Fund to the Authority for the PACE Reserve Program. The Authority would be required beginning March 31, 2011, and annually thereafter, to submit to the Legislature a report containing specified information regarding program implementation, including the number of jobs created by the PACE programs that

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received assistance and information on energy and water savings resulting from PACE programs. This measure would also authorize the Authority to purchase bonds issued by a public agency that meets specified criteria, and authorize the Authority to hold the purchased bonds or to sell the purchased bonds, in whole or in part, to public or private purchasers. SB 77 contains an urgency clause which would make it effective immediately if passed by the Legislature and signed by the Governor.

A PACE bond is a bond where the proceeds are lent to commercial and residential property owners to finance energy retrofits (efficiency measures and small renewable energy systems) and who then repay their loans over a period of 20 years via an annual assessment on their property tax bill. PACE bonds can be issued by municipal financing districts or finance companies and the proceeds can be typically used to retrofit both commercial and residential properties.

To qualify for assistance under SB 77, the PACE Program shall require the following: 1) the interest rate on the PACE bond shall not exceed a percentage as determined by the Authority to be appropriate; 2) minimum legal loan structure and credit underwriting criteria are met as determined by the Authority; 3) proceeds of the PACE bonds are used to finance qualified energy and water efficiency and clean energy improvements; and 4) the improvement financed is for a residential project of three units or fewer, or a commercial project that costs less than \$25,000 total.

In evaluating local government's PACE Program eligibility, the Authority must consider whether the applicant's PACE Program includes the following conditions: 1) loan recipients are legal owners of underlying property; 2) loan recipients are current on mortgage and property tax payments; 3) loan recipients are not in default or in bankruptcy proceedings; 4) loans are for less than 10 percent of the value of the property; 5) the property is within the geographical boundaries of the PACE Program; 6) the Program offers financing for energy efficiency improvements; and 7) improvements financed by the Program follow applicable standards of energy efficiency retrofit work, including any guidelines adopted by the State Resources Conservation and Development Commission.

AB 811 (Levine) of 2008 authorized all cities and counties in the State to designate areas within which local agencies and willing property owners could enter into contractual assessment agreements to finance the installation of distributed generation renewable energy sources and energy efficiency improvements. The Board of Supervisors adopted a resolution of intention to implement a contractual assessment program on April 6, 2010.

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The Internal Services Department indicates that the County anticipates selling up to \$1 billion in bonds similar to PACE bonds to finance residential retrofits, and recommends that the County support SB 77. The Treasurer and Tax Collector (TTC) states that SB 77 would create an additional market for bonds issued under the County's AB 811 Program, which would only reduce costs. The TTC recommends supporting the bill because it would enhance and support the Board-approved AB 811 renewable energy financing program. In addition, the Auditor-Controller also recommends that the County support SB 77.

Support is consistent with the Board's approval of the County's AB 811 Program and existing policy to: 1) promote energy efficiency in residential and commercial buildings and green building certification for County facilities; 2) provide funding for local government energy efficiency programs; 3) provide funding for local government renewable energy programs; and 4) promote local water reliability and conservation. **Therefore, the Sacramento advocates will support SB 77.**

SB 77 is supported by the California State Association of Counties. There is no registered opposition at this time. This measure is set for a hearing on April 7, 2010, in the Assembly Appropriations Committee.

We will continue to keep you advised.

WTF:RA
EW:sb

c: All Department Heads
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